

The complaint

Mr H complains that PayPal UK Ltd allowed him to use his account to gamble extensively without any interventions or checks.

Mr H also says that PayPal irresponsibly lent to him as it allowed him to use 'eCheques' which Mr H says is a form of credit.

What happened

Mr H has held a PayPal account for a number of years. He says PayPal has been irresponsibly lending to him for a period of 12 years. Mr H states that he was a regular user of its eCheques facility and this enabled him to make deposits to gambling merchants without funds coming out of his account for a few days. Mr H says that he was transferring money through this PayPal account frequently.

Mr H says PayPal failed to intervene with his gambling addiction. He says it had the opportunity to do so when he fell into arrears on his account in 2023. But no intervention was made – he feels had PayPal intervened or provided any safeguarding it may have helped him. He says when it did restrict his account in May 2025 due to his negative balance it was only then his high volume and costly depositing stopped.

In 2025 Mr H complained to PayPal. In response PayPal issued its final response letter on 9 June 2025.

PayPal explained that Mr H was utilising his PayPal account for the deposits and not a lending source it provided. It set out that in line with the PayPal User agreement PayPal would make the deposit Mr H wanted and then request the funds from his funding source linked to his account.

It said that the negative balance on the account was caused by unsuccessful bank transfers, rather than because it had lent money to Mr H. It felt the balance was due to PayPal as Mr H should have been aware of his available funds in his bank account prior to making the transactions. Because of this it didn't uphold his complaint.

After Mr H referred his complaint to this service, one of our investigators assessed the complaint and they did not uphold the complaint. They concluded that PayPal had not provided Mr H with credit and therefore they were unable to say that PayPal had irresponsibly lent money to Mr H. They also felt PayPal hadn't acted unreasonably in the way it had monitored his account and didn't think it was reasonable to expect PayPal to have intervened as Mr H was expecting.

Mr H didn't accept the investigator's findings, so the matter was referred for an ombudsman's decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

First, I'm very aware that I've summarised this complaint in far less detail than the parties and I've done so using my own words. I'm not going to respond to every single point made by all the parties involved. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

It may help if I start by explaining the role of this service. The Financial Ombudsman Service is an alternative dispute resolution service set up to resolve individual complaints based on what is fair and reasonable in the circumstances of each case. The Financial Ombudsman Service does not fine or punish businesses, or request that businesses change their processes or practices – that is for the regulator, the Financial Conduct Authority, to consider. So I will only consider here what has happened in the circumstances of Mr H's individual complaint.

I note that throughout Mr H's complaint, there has been a large focus on whether eCheques represent a form of credit. Mr H says they do and says that, in his case, PayPal's use of eCheques to process payments represents irresponsible lending, because it allowed him to use money he didn't have. And says the payments were being used to fund his gambling problem. Conversely, PayPal has told us eCheques are not a form of lending and are used as an alternative way to process payments.

As the investigator has explained, eCheques are not a form of credit. Under a PayPal FAQ, it explains what eCheques are and why they may be used:

“Sometimes your bank-funded payment may be processed as an eCheque.

An eCheque is an electronic funds transfer from your bank account to another customer's PayPal account. It usually takes between 4-7 business days to clear, but sometimes it may take longer.

To manage risk, PayPal may limit the payment methods available for a transaction. This can happen for a variety of reasons:

- *PayPal detects a payment attempt that's unusual considering previous account history.*
- *To ensure that there's sufficient money in your bank account.*
- *Any other reason we may find that indicates there's possible risk associated with the payment.*

We put security measures in place to review transactions before they're sent out to protect all parties involved.

The payment may show as “pending” in your PayPal account. To view your payment status and the expected clearing date, visit your Activity and click on the transaction.

If there's insufficient money in your bank account or your bank declines the transaction when we attempt to complete the eCheque payment, we'll try again within 3 working days. If the payment is declined a second time, we'll cancel it. Remember, your bank may charge a fee for declined payments.”

Based on the above and what PayPal has told our service, I'm satisfied that an eCheque is not credit or lending. From what I have seen, eCheques are essentially a mechanism that allows PayPal to check that the funds being sent are actually available in the sending bank. It also means that PayPal is able to cancel a payment if there are insufficient funds in the sending bank account, or the consumer's bank declines the payment.

PayPal have also explained that Mr H wasn't using the eCheques facility he was simply using PayPal payments which under its User Agreement allowed Mr H to make the payment to the merchant immediately. So while the recipient gets the funds instantly, PayPal typically processes the transfer from the customer's bank via direct debit, which can take 3 to 5 business days to appear on the bank statement, even if PayPal shows it as completed instantly.

In the circumstances, I don't think it was likely that PayPal processed Mr H's payments using the eCheque process. I say this particularly because using eCheques would prevent Mr H from making payments via PayPal when he didn't have enough money in his bank account for the transaction. And, as eCheques are not a form of lending but an alternative way to settle a PayPal transaction, I can't say that PayPal has irresponsibly lent money to Mr H.

Turning now to the issue at hand, I understand that Mr H's complaint is essentially that he believes that PayPal should've identified that he was vulnerable. He says PayPal should've identified that he needed additional support due to the large amount of payments he was making to gambling companies.

Mr H says that he spoke to PayPal in 2023 – he'd been contacted by PayPal as his account had gone into a negative balance. This was because when PayPal went to claim the money from his account he's likely to have had an insufficient balance to make the payment.

PayPal has provided us some internal records of the conversation – it shows Mr H acknowledged the lack of funds and agreed a short payment plan to pay off the balance. I can't see that Mr H told PayPal he was vulnerable - that is until he raised his complaint.

While I don't agree that it was solely incumbent on Mr H to have told PayPal about his circumstances. I appreciate it is easier for businesses like PayPal to react when consumers proactively say they are vulnerable. But I think it is reasonable to say that PayPal also has a responsibility to react if there are clear signs that its customers are vulnerable.

From July 2023 the Consumer Duty requires firms to consider customers' vulnerabilities. Banks and other firms need to 'monitor consumer outcomes' and use insights to take action to prevent foreseeable harm. However, banks or other firms can't stop customers making authorised payments and so they don't generally monitor customer accounts for gambling activity as gambling is a legitimate activity. Banks or other firms are required to intervene in transactions where there is a suspicion of fraud but won't be liable for customers' spending patterns.

And so, a bank or other firm is only likely to act on a potential vulnerability when it is made aware of a problem, or the customer's account is in difficulty. Mr H said PayPal should have been aware of this when it contacted him about his negative balance in 2023. But had Mr H discussed his vulnerability at the time I'd expect PayPal to help customers who reach out with problems such as gambling addiction, but having looked at the system notes from that interaction there's no evidence to suggest such a conversation took place.

I've been provided evidence of Mr H's use of the account so I've considered if PayPal should have picked up on this and contacted him. As I've mentioned PayPal don't individually monitor accounts, it will typically look for other, related events such as continued missed

payments or regularly entering a negative balance but looking over Mr H's statements for the period in question, generally these events didn't occur.

On the one occasion I can see in 2023 when his account did go into a negative balance, he was contacted and he swiftly agreed a plan to clear the balance, I can't see this highlighted any specific vulnerability that I would have expected PayPal to have been aware of or picked up on, and the transactions were not out of character for the account to flag any concerns for PayPal.

I say this because Mr H had been using his PayPal account for several years to make and receive various levels of payments from gambling companies. Gambling is a legitimate activity so we wouldn't expect PayPal to intervene just because Mr H was making payments for gambling. I accept there were periods when the cumulative spend to gambling sites was significant, but all the payments were to legitimate companies. So, I don't think there would have been any reason for PayPal to intervene when he made the payments.

Having said all this, I would like to have seen PayPal asking Mr H if he was comfortable with his gambling expenditure and signposting him to the available addiction support. But this wasn't a requirement here and I can't be sure that it would have made any difference. In conclusion, I can well understand Mr H's concerns about his gambling and the impact on his finances, but I haven't found that PayPal acted outside of the regulations or treated him unfairly and so it would be unfair for me to require PayPal to take any action.

I know Mr H has also complained about the service received from PayPal whilst dealing with his complaint. But complaint handling isn't a regulated activity so I can't comment on this in my decision and whether PayPal did anything wrong here.

Our service investigates the merits of complaints on an individual basis, and that is what I've done here. I think it's important to explain that my decision is final. I realise that Mr H will be very disappointed by this outcome though I hope he appreciates the reasons why it had to be this way. By rejecting this decision all options remain open to him including legal action should he wish to pursue this approach.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 27 April 2026.

Jag Dhuphar
Ombudsman